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HEADLINE: Derwent adds enhancements to its Patents Citation Index database; Derwent Information; Brief Article

BODY:

Derwent Information has announced enhancements to its **Derwent Patents Citation Index (DPCI)**, a database of international patent citations available on **DIALOG** and STN. According to the company, the new version of DPCI, introduced as the first part of a staged development process, will provide citation information faster than before. Enhancements include streamlined coverage of major patent-issuing authorities and new content, including coverage of German utility Models and British Granted Patents.

DPCI can be used for maintaining current awareness, monitoring the research activity of competitors, identifying key people in a specific technology, augmenting validity searches, or finding results that cannot be retrieved by searching keywords or codes alone. The enhanced DPCI focuses exclusively on Examiner citations from European, World, British, U.S., Japanese, and German patenting authorities.

Updates will be implemented within a few weeks of publication. The quicker updating will allow searchers to use DPCI in conjunction with the Derwent World Patent Index (DWPI), making it easier to use DPCI and DWPI as companion files when searching. This will provide new means of monitoring the latest patent developments.

One benefit of the improved file updating is the increased reliability of alert profiles. Alerts can be set up so that a customized search strategy is run automatically on a weekly basis. In addition, faster updating allows alerts to identify new patent citations earlier. The results can be delivered by mail, fax, or e-mail.

Source: Derwent Information, Alexandria, VA, 800/DERWENT, 703/7064220; Fax: 703/519-5829; <http://www.derwent.com>.

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May 24, 1999

SECTION: Pg. 26

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HEADLINE: BUYER AND SELLER BEWARE; THE **PATENT AND LICENSE EXCHANGE**
PREPARES FOR ONLINE PATENT AUCTIONS

BYLINE: CATHERINE PENNINGTON PAUNOV

BODY:

Auctions have become a popular commercial medium on the Internet. Companies like eBay represent a substantial market for both buyers and sellers of just about anything, from coins to cars. Amazon.com has just announced that it will enter this market. As Mark Grossman wrote [see "www.caveat-emptor.com?" Texas Lawyer, March 29, 1999, page 44], such sales are not without their risks. Amazon.com is addressing the fraud issue for buyers, at least, by providing a guarantee against fraudulent losses up to \$ 250.

Auctioning patents is a different story. Mistakes or fraud here can mean the loss of millions of dollars and years of work. Many in the intellectual property field long felt that those risks were simply too high to permit the auctioning of patents online.

However, patents take an average of 37 months to go from issuance to licensing. With today's rapidly changing technology, such a lag is unacceptable. Online auctions may be the only way to get new products and technologies to market before they become obsolete. But issues like access to patent information, the qualifications of the parties, timeliness, security and valuation must be addressed before a system can work.

Patents Online

Considerable information about patents is already available through the Internet and services like Lexis-Nexis and Westlaw. Yet a good deal of essential information is unavailable to those interested in buying or selling patents: What is a patent worth? What are its potential applications? What is the reputation and reliability of its inventor or developer?

A couple of scientists in California have developed an online patent auction system that may address most of these concerns.

The **Patent and License Exchange** (pIX) anticipates its first online auction this summer. Essentially, pIX has a large **database** of patents, all of which can be searched on a wide range of fields, including an objectively derived valuation. Qualified members, including large and small companies, universities, law firms and government agencies can post and bid on those patents. Once the highest bid is made and parties agree to the basic terms, the patent moves to escrow. The parties may use pIX's chat rooms and document systems to come to contract terms, if they choose.

High bars have been established to becoming a qualified member of pIX. This substantially reduces risk to buyer and seller, and assures them that they are dealing with parties that have the necessary financial and/or technical wherewithal.

Reputation issues, which are not addressed by pIX, must be a part of any due diligence. How many patents owned by this entity have been found invalid? Is this entity known for less than honest accounting for royalties?

And before there can be an auction, buyers need to know that a patent is available for bidding. PIX depends on members to get the information out in a timely manner. In addition to the basic patent abstract information, sellers will need to add certain descriptive information, data regarding potential uses and any restrictions on licensing. PIX will add objective data on the value of the patent and keep all parties posted on the status of each auction in which they are involved. The service's estimate of 12 months from issuance to licensing requires all parties to act promptly. Otherwise, the rationale for Internet auctioning of patents is defeated.

Patent Process

Once a patent is posted, pIX provides additional benefits that reduce risk and speed licensing for both buyer and seller. These include validity insurance that will cover any patent transaction closed on pIX. The buyer is automatically insured for the purchase price and any upfront royalties paid if the patent is found invalid or in cases of fraud. Purchasers can consider additional coverage that compensates for any additional royalties paid or product development paid post-contract, patent infringement liability and attorneys' fees.

The potential value of a patent is the source of considerable discussion in intellectual property circles. The auction process helps to define its value. This can be one of the fairest ways to value an asset. It can also artificially inflate or deflate the value of a property if no one knows where it stands in relation to similar products. Accordingly, pIX uses a valuation system that it calls TRRU, or Technology Risk Reward Unit.

TRRU is a mathematical model that helps "create a common ground from which buyer and seller can quickly converge on a fair market value," according to Nir Kossovsky, founder and CEO of pIX. Potential buyers reviewing a patent on the pIX system will see the TRRU price posted next to the seller's asking price. Although the TRRU price acts somewhat akin to a reserve at auction, it is far more objective.

Inputs include market valuations for similar technologies, the state of development and the cost to bring the product to market. Essentially, TRRU gives a "reality check" on the value of a patent. Because the TRRU valuation will appear on the **database** record, however, most should close on or near that figure. This, of course, raises the issue that the TRRU is actually setting the price. Objective studies of auction results will be interesting a few years from now, although they would be even more interesting if a control group of patents were auctioned without a TRRU valuation.

Annual membership fees for pIX will average \$ 15,000 for business entities and \$ 5,000 for nonprofits. There will be a \$ 250 listing fee for each patent listed. To encourage membership, however, all of these fees will be waived in the first year of operation.

Commission to pIX of 10 percent of the upfront licensing fees will not be waived. Buyers will see the commission and insurance premiums calculated on the financial information screen before closing any deal.

Although pIX will not begin trading for a few months, interested professionals may want to review its online demonstration at www.pl-x.com. The company seems to have addressed the major concerns of those who wish to buy and sell patents online. Its success will depend on the quality of its members and on the quality and quantity of patents offered. The

potential is there to provide a real benefit to all parties.

Catherine Pennington Paunov, an attorney, is the owner of Pennington Consulting, with offices in Staten Island, N.Y., and St. Petersburg, Fla.

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SECTION: WHAT'S NEW -- RESOURCE GUIDE; Pg. 28

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HEADLINE: PLX ANNOUNCES PLANS TO REVOLUTIONIZE \$ 3.5 BILLION PATENT INDUSTRY THROUGH GLOBAL, INTERNET-BASED PATENT AUCTION MARKET;
pLX Will Bring Patent Buyers and Sellers Together with Secure and Efficient Transfer of Intellectual Property

BODY:

The **Patent and License Exchange** patent auction market ("pLX"), released its plans to open the first business-to-business global Internet-based auction facility for the safe and efficient transfer of quality patents and licenses. Company founder and CEO Nir Kossovsky delivered details about the new exchange in a symposium entitled "Breaking the University-Industry Technology Transfer Logjam," at the American Association for the Advancement of Science ("AAAS") annual meeting.

According to Kossovsky, "patents are the most valuable asset a business can have today - they fuel the global economic engine." Currently, more than 600,000 patents are available for license of sale. An additional 265,000 patents join that global inventory annually. On average, a patent will be three years old before it is sold or licensed. Kossovsky adds, "currently, everyone in the value chain loses: inventors, patent owners, businesses, and the public, as they are all deprived of the benefits of novel products and the associated revenues." The cash value of this loss is more than \$ 500 million annually *. * Market research conducted at the annual meeting of the Licensing Executive Society, Miami, Florida, October 1998.

"The **Patent and License Exchange** global auction market will do for patents what the Chicago Board of Trade did for grain in the late 19th century," said Kossovsky at the AAAS symposium. "Patents are not commodities -- they are a set of rights which in an efficient market, could be nearly as liquid as financial instruments." There are two reasons today why the patent market is inefficient. First, buyers and sellers can't find one another. Second, when they do, buyers end of up assuming most of the risks. pLX solves these problems through a sophisticated searchable **database** with standard disclosures, a transparent pricing model **, and new patent insurance products.

** See Kossovsky, Johnson, and Brandegeer, Creating an efficient technology market. CHEMTECH 1998 (Dec): 54-56, 1998.

The patent auction market's key success factor is the quality of its participants. pLX invites world class global law firms, universities, government research laboratories, research institutions and commercial banks with patent inventories, and companies with new product needs, to qualify for an electronic seat. Seat holders will include owners of quality patents, businesses with a track record for patent development, and global law firms representing buyers and sellers.

Among the unique features of the pLX auction market are its risk transfer solutions. Providing patent insurance creates a more risk-free marketplace by reducing the risk that buyers and sellers bear in each patent sale. The company is currently talking with Swiss Re Group about creating a complete package of patent validity, infringement, and enforcement insurances.

According to Bill Hoffman, Associate Director of Integrated Risk Solutions, Swiss Re New Markets, "pending the approval of our executive board, we will provide innovative patent insurance products for pIX to facilitate the safe and efficient commercial transfer of quality patents and licenses. Patent insurance is a new area for the insurance industry and one we believe has significant growth potential."

Swiss Re is New Markets is a division of Swiss Re Group. Swiss Re Group is one of the world's leading and financially strongest reinsurers with gross premiums of \$ 11.94 billion in 1997. Standard & Poor's assigns the company its "AAA" rating and Moody's rate in "Aaa," According to Kossovsky, "Swiss Re is the ideal exclusive strategic partner for pIX patent insurance because of its traditions of creative, high-capacity risk management and innovative risk products."

pIX is also talking with Chicago Title Insurance Company about developing a new patent escrow product. According to Sharon Yarber, Senior Legal Counsel, "real estate escrow helps reduce transaction risk by providing a secure service for the exchange of money and documents. The innovative patent escrow products we are creating for pIX will reduce certain risks for patent buyers and sellers." Chicago Title is one of the largest title companies in the United States. Yarber says that the company's goal is to provide patent escrow services to both national and international pIX customers through its centralized escrow services based in Los Angeles.

Founded in 1999, The **Patent and License Exchange** is headquartered at 225 South Lake Avenue, Suite 300, Pasadena, Calif., 91101, (626) 405-0690, info@plx.com. pIX is the first global business-to-business Internet-based action facility for the safe, and efficient commercial transfer of quality patents and licenses. pIX provides global customers with easy-to-search patent inventory, on-line bid placement, secure chat room negotiation, closing services (escrow) and aftermarket license administration. For more information, please visit the company's Web site at www.pl-x.com.

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